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31 January 1958

MEMORANDUM FOR: Director of Central Intelligence

THROUGH: Deputy Director/Intelligence

Copies sent to Branches 12 Mar.

SUBJECT: Report of Trip to the Far East, South-East Asia and the Near East, 17 November through 21 December 1957

A. Purpose

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1. This trip was initiated by a request from [REDACTED] Chief of PP/UNG, that I participate as a U.S. delegate in the SEATO Counter Subversion Seminar held at Baguio, Philippine Islands during the period 26 - 29 November.

2. Since I had not previously visited the Far East or South Asia, I also used this occasion to gain at least a superficial view of this part of the world and to obtain a better appreciation of some of the Agency activities in the area - particularly those activities pertaining to the economic and geographic intelligence responsibilities of ORR.

B. Activities and Findings

1. SEATO Counter Subversion Seminar, Baguio

My principal purpose in attending this seminar was to help encourage an awareness of the threat posed by Sino-Soviet Bloc economic activities in underdeveloped areas as these activities relate to the SEATO nations. In this I worked very closely with [REDACTED] 25X1A5a1

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[REDACTED] this subject. Since he did not consider himself an expert on the subject and was not aware of a number of recent developments he was very receptive to suggested additions and modifications in the draft of his speech. During the four-day session [REDACTED] stimulated considerable interest and discussion and evoked an encouraging number of questions. 25X1A5a1

25X1A5a1 At meetings of the Economic Subcommittee, in which both [REDACTED] and I participated, it was agreed in the final draft recommendation that one of the most effective ways to combat these activities would be to publicize the Bloc's intentions, objectives and modus operandi and the manner in which certain countries have been able to thwart this threat. These recommendations also recognized the

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Chinese Communist Bank of China as one of the principal instruments of Communist China in its efforts to increase its influence throughout the area. Rather than publicize this device and the details of its activities, it was generally agreed that this should be matter for discussion among SEATO experts more familiar with its operations and more knowledgeable of ways in which those activities might be combated. The Thai and Philippine representatives attempted to use the forum of the Economic Committee to obtain a recommendation for an "economic development fund" but were only successful in obtaining a watered-down statement that SEATO might consider the desirability of establishing such a fund to assist certain areas clearly threatened with Communist subversion. In this forum such a recommendation would have little effect in any event.

Judging from the attentiveness of the audience, the lively question periods, the reactions of delegates in discussions outside of formal seminar activities, and coverage of the Seminar in the Philippine press, it was very clear that the Seminar had achieved its purpose, namely the stimulation of a greater awareness and interest regarding Sino-Soviet Bloc subversive activities in the area and a consideration of possible counter-measures which might be employed. (A brief report by the head of the U.S. delegation is attached - Tab A.)

2. Hawaii

In Honolulu, General Balmer and his staff outlined for me their responsibilities for preparation of war plans and for providing substantive support to CINCPAC and his staff. In connection with the latter, General Balmer was fully aware of the concern in Headquarters over requests initiated in CINCPAC for the preparation by CIA of a number of detailed, time-consuming research studies. It was General Balmer's opinion that these requests stemmed largely from the office of Admiral Layton, J2, and that with the departure of Admiral Layton such requests would cease almost entirely.

General Balmer's War Plans Staff was particularly laudatory about the cartographic and geographic support received from ORR and indicated that there probably would be an increasing need for this kind of assistance.

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In talking with the [REDACTED], I learned that he was engaged in a survey of students at the University of Hawaii who have both Chinese language and research ability. A report which he had recently transmitted to [REDACTED] headquarters on this subject may be of interest to the Economic Research Area of ORR.

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I spent an afternoon with the Chief of Staff, ComSubPac, a former classmate at the National War College, who gave me an extremely interesting conducted tour of one of our possible [REDACTED]

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3. Japan

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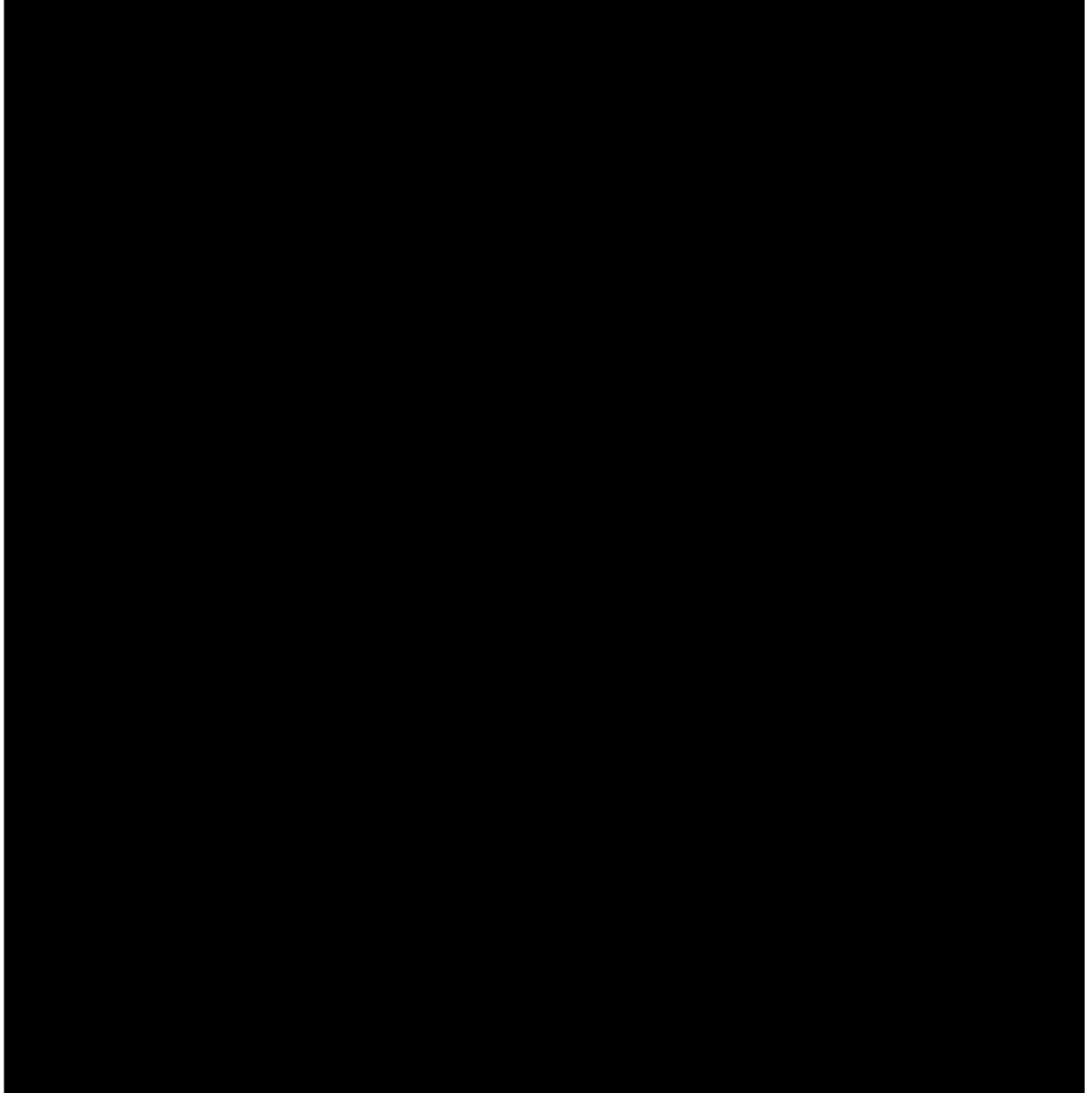
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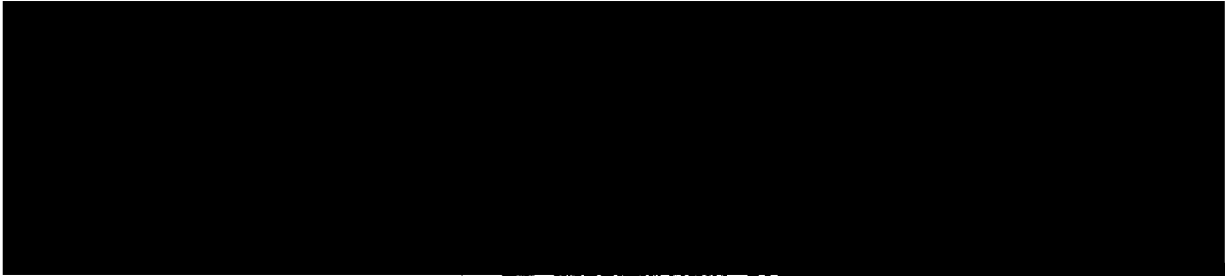


The progress of Chinese Communist agriculture in relation to population growth was the major topic of conversation with the Consul General, his Deputy and their specialist covering the Chinese mainland. It is their general conclusion that the slow rate of growth in agricultural output relative to population increases will be a continuing problem and probably will force a shift of resources to this sector of the economy at the expense of heavy industry, thereby reducing somewhat the rate of industrial expansion. No one seemed to doubt, however, that there would continue to be impressive increases in industrial output.

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The China mainland specialist indicated that he has generally agreed with past ORR analyses of Communist China's economy. However, he indicated that he had not received a number of our more important studies on this area and specifically asked that we arrange to have State send out ORR's recent regional study of the economy and any recent reports on Chinese Communist agriculture.

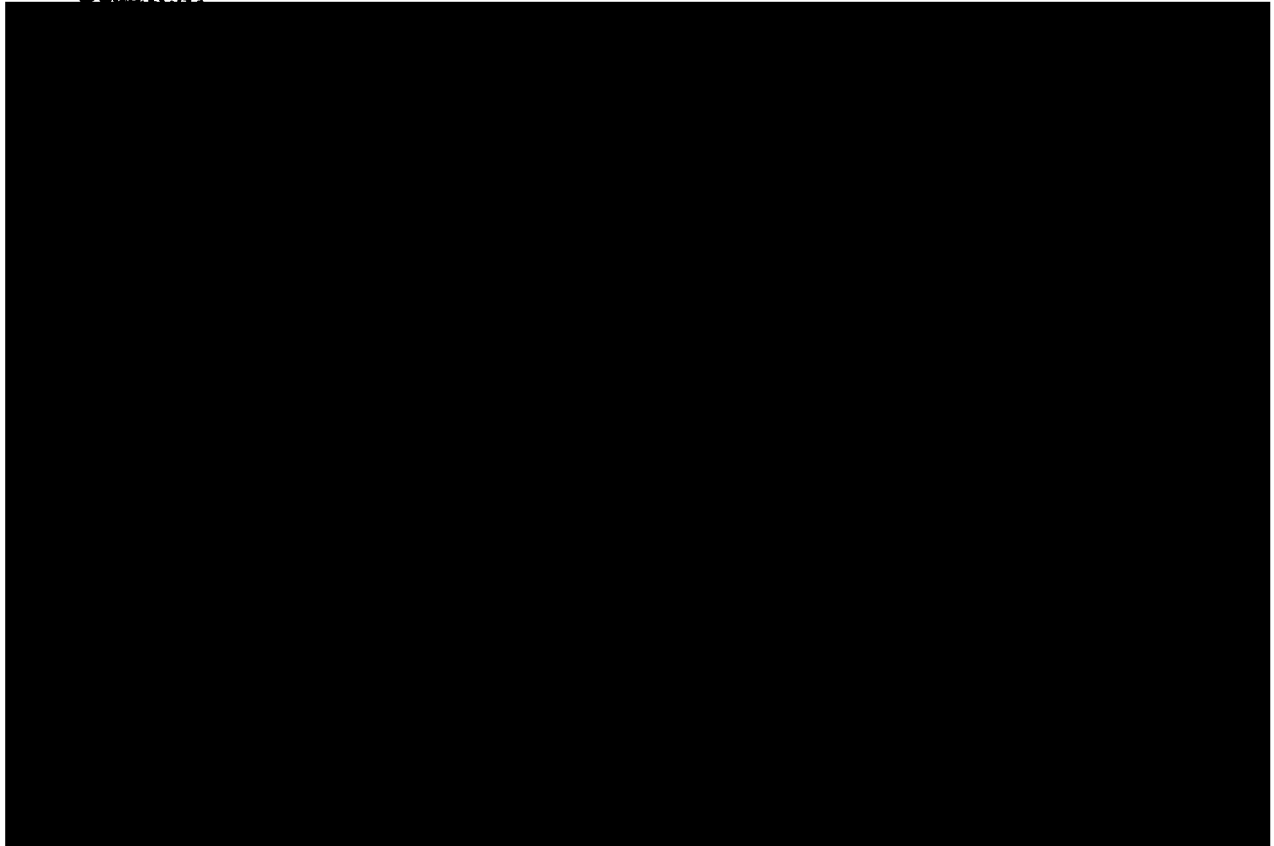
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it was clear that with the relatively quiet situation in the Taiwan Straits the demands on him for current intelligence support had fallen off. He feels, however, that he has been able to use his spare time effectively by assisting the Air Force in its tactical targeting studies.

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b. New Delhi

I was in New Delhi for only one day, a Saturday. A former classmate at the National War College, now head of USIA in Delhi, took me on a tour of the town and arranged a luncheon at which the [REDACTED] was present. At lunch I learned that the Little Rock crisis had been handled in a very restrained way by the Indian press. The head of USIA attributed this to the fact that about the same time there had been a caste riot in India and a number of Indians had been killed. 25X1A6b

While I was there the press reported an interesting statement made by Nehru on Communism during a foreign affairs debate in the Rajya Sabha. He stated that Communism is an economic theory, an economic interpretation of history and a technique, and that he himself was for many years enamoured of the theory. However he said it is now clear that the theory and the interpretation of history have already been proved inaccurate in significant respects, and that in his opinion Communism's most objectionable feature is its technique of control.

I asked specifically about the rumors which occasionally circulate in Washington that there are serious difficulties between the Soviets and the Indians over the construction of the Bihlai steel mill. The U.S. Embassy's Political Officer in Delhi, among others, assured me that while there are certain problems and delays, they are not serious and that construction of the steel mill is progressing satisfactorily. The steel plant under construction by Kaiser is progressing much more rapidly than the plant at Bihlai but I understand will be much more expensive than original estimates indicated.

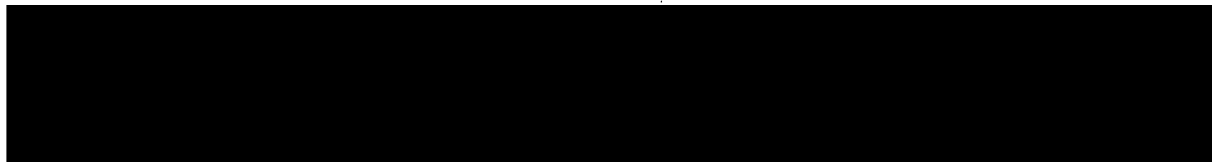
9. Pakistan

25X1A6a During my one-day stay in Karachi, I talked [REDACTED] 25X1A6a
[REDACTED] about Sino-Soviet Bloc economic activities there. Trade relations with the Bloc are very limited, but there are a number of trade missions including Polish, Czech, Hungarian and Soviet. I was informed that at least two Bloc countries have intelligence personnel masquerading as members of the Trade Mission. It was also of interest that some of the Soviet activities there were being financed through the local branch of the Chinese Communist Bank of China. [REDACTED] 25X1A6a
[REDACTED] was interested in learning of more of the economic intelligence community's interest in the Bloc's "economic penetration" activities and I spent some time briefing them on this subject.

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10. Turkey

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In Istanbul I had a long discussion covering some of the main interests of ORR.

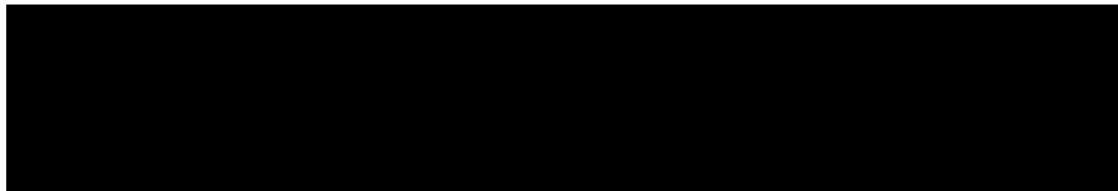
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I had conversations with the Consul General and his Deputy about the reported Soviet offer of a two-hundred-million-dollar loan to Turkey which has been outstanding for sometime. The Consulate is not certain of the nature of this offer but on the basis of evidence they have received from a number of sources, it would appear that this is not the kind of firm, carefully planned offer that the Soviets have made in the past to a number of other countries; nor does it appear that the Soviets are actively pushing such an offer. Most of the publicity on this comes from the Turks themselves and there is a suspicion that this so-called offer is being used as a leverage to extract a loan from the U.S. On the other hand, the Consul General and his Deputy both feel that this situation needs very careful watching because of the very unfavorable economic situation that presently exists in Turkey. This caution is reinforced by a concern that the new Soviet Ambassador to Turkey may have been chosen with a view to stimulating economic relations between the two countries. He does have an industrial and foreign trade background and worked in Turkey during the 30's on a textile plant being constructed there by the Soviets. These thoughts have been very well summarized in Dispatch D-85 of 20 August 57 from the American Consul General. In addition, on December 12, 1957 (Dispatch 314) he reported the details of the recent Soviet-Turkish glass factory agreement.

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C. Commitments

None.

D. Recommendations

25X1A9a 1. That CIA personnel familiar with Sino-Soviet Bloc foreign economic activities participate in future SEATO conferences similar in purpose to the recent Counter Subversion Seminar. I have been advised by [REDACTED] PP/UNG, that the State Department may schedule a similar conference within the next 18 months and that they hope to expand CIA participation. (My detailed recommendations for improving the Seminar are being transmitted to [REDACTED])

25X1A6a 2. That selected ORR and EIC publications directly related to requirements for FI and Foreign Service reporting be forwarded on a more regular basis to [REDACTED] State Department posts abroad by the responsible Headquarters elements which now receive copies. Field personnel repeatedly advised me of their need for such publications; and it is clear that reports covering various aspects of the Sino-Soviet Bloc economic offensive, for example, would be very useful as background material at a number of posts in the area. This suggestion is similar to a recommendation made by Dr. Guthe following his trip through the Far East and Southeast Asia last summer. This Office will renew discussions [REDACTED] and will initiate discussions with [REDACTED] and ICD/State on this recommendation.

25X1A6a 3. That requirements covering Sino-Soviet Bloc economic activities in underdeveloped areas and the activities of the Chinese Communist Bank of China be transmitted to all stations which might have reporting opportunities. At several points during my trip I was advised that stations with collection capabilities did not have adequate requirements. ORR prepared comprehensive requirements on the first of these subjects last fall and this Office will continue discussions with FI regarding their field distribution. Requirements covering the Bank of China are currently in preparation. 25X1A9a

[REDACTED]
Deputy Assistant Director
Research and Reports